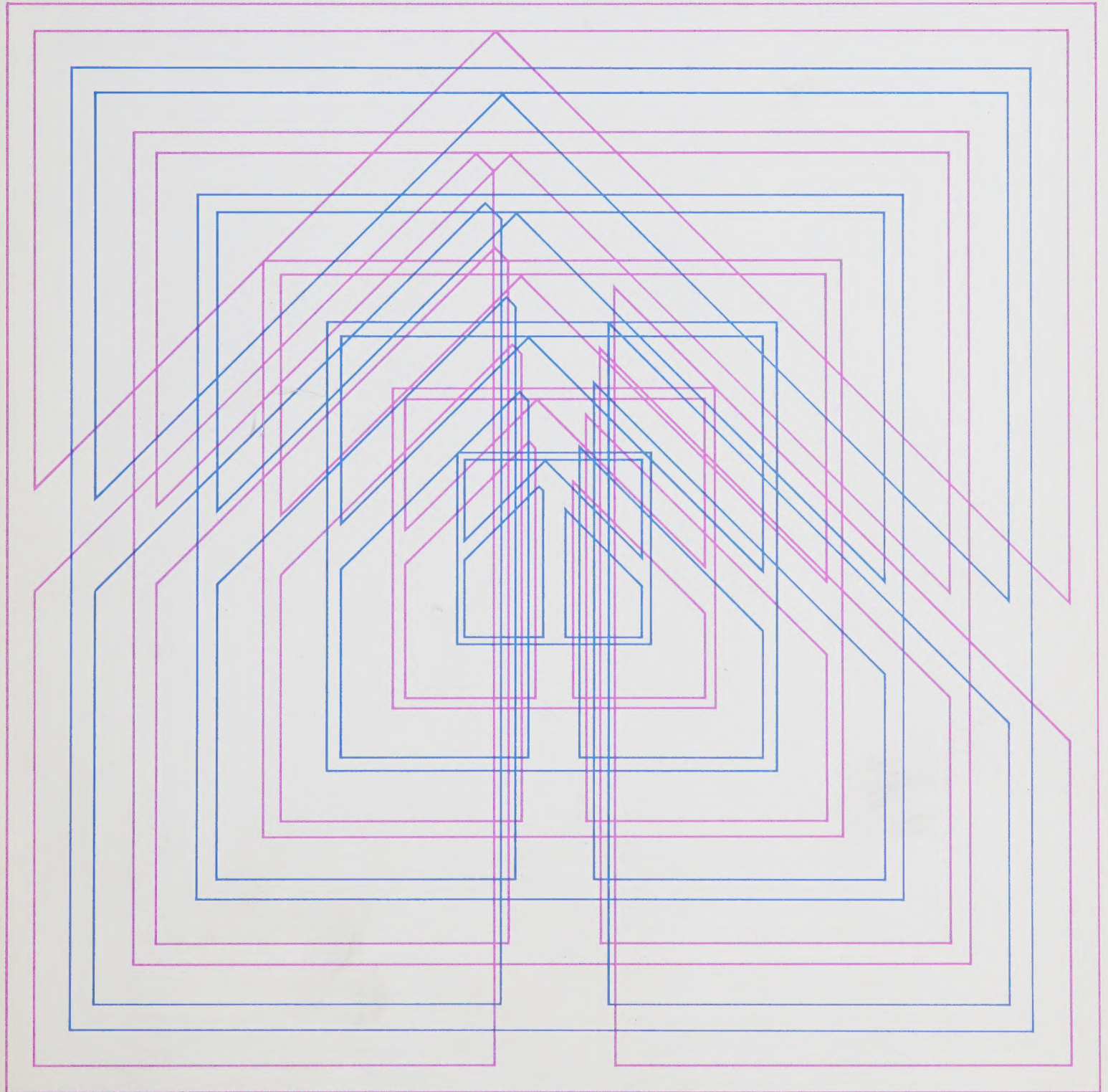


AR08



Dear Shareholder,
1966 was Clairtone's most difficult and at the same time, most gratifying year. It was the year in which a second product line was added — color television — and a new and highly complex manufacturing unit was opened in the Province of Nova Scotia. Both were the culmination of extremely ambitious programs set in motion in 1964 and 1965. 1966 results only begin to show the effect and importance of both these undertakings.

1966 sales of \$15,453,000 are 37% ahead of 1965 and after tax earnings of \$1.02 per share show a gain of 132% over 1965. The year 1966 was your company's eighth fiscal year and the eighth in which Clairtone sales showed an increase over the previous year. It is, furthermore, the eighth year in which your company has shown a profit.

I should like here to review the programs which reached fruition during 1966 and resulted in the continuing growth and strengthening of Clairtone.

Stellarton Plant

By the first of January 1966 the building at Stellarton (7 acres under one roof) was ready to receive the first plant equipment but the task of installing machinery, hiring and training personnel and transforming building, equipment and people into an efficient and economical manufacturing unit had to be achieved in an unusually brief period of time. The Stellarton plant is in fact two completely different operations — a furniture factory in which Clairtone cabinets are manufactured and an electronics plant in which stereo and television chassis are made and built into cabinets to provide the finished product.

The furniture factory — one of the most modern in the world is highly automated and features multi-operation machinery which was designed specifically for Clairtone. Installation of this complex system which converts raw lumber into fine furniture without leaving the continuous moving line, was a very difficult task ably executed on schedule by a team under the direction of the system designer Rolf Rothstein. Mr. Rothstein, internationally known for his furniture factory design, remained at Stellarton with the company until the end of 1966.

The electronic plant with its automatic lines, overhead conveyors and intricate test facilities was fully operational by the end of June. This section of the Stellarton operation employs some 2/3 of the labor and while some training had been accomplished in the previous year when Clairtone operated a stereo chassis assembly operation in a nearby building leased from Industrial Estates Limited, intensive on-job training in the new plant began in March.

During the 18 month period (July 1965-December 1966) over 1000 employees were trained in skills which were completely foreign not only to the immediate area in which the plant is located but in fact to the entire Maritime region! Beyond this, one of the product lines — color television — involved technology still new to the entire industry.

This task could not have been undertaken and certainly could not have been successfully executed by your company without the splendid co-operation and complete understanding of the Government of Canada and its various agencies such as Atlantic Development Board and particularly if it had not received the fullest support and assistance from the authorities of the Government of the Province of Nova Scotia. Without the aid, advice and financial assistance given by these bodies, the year's results could not have been obtained.

APR 14 1967

Color Television

This new product line produced only during the second half of the year accounted for most of the sales gain in 1966, in spite of the fact that the final quarter was the first in which color television sales could be made for a full period. Acceptance of the color television product by key accounts across North America has been excellent and customer acceptance shows that as in the case of stereo your company has designed and built a color television set which is demonstrably superior to its competition in terms of quality, features and value.

In the latter part of October a further step was taken and the 7TVC color television component was introduced. The 7TVC is a unique instrument — a color television receiver which becomes a hi-fi component when merged with a custom sound installation. It is expected to fill a gap in existing custom home entertainment installations and a need expressed often by architects and interior decorators who require a high quality color TV receiver for new built-in applications (homes, restaurants, hotels, clubs, etc.)

Current Operation

The Nova Scotia plant now employs approximately 800 persons and has an average daily production rate of 350 stereo and color television sets. It has been described by the Press as "one of the Western Hemisphere's most modern plants" and with staff training problems well under control, promises a very high rate of efficiency and productivity during 1967 and onward.

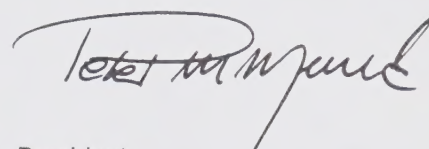
Canadian Motor Industries

Your company's investment in common and preference shares of Canadian Motor Industries Holdings Limited underwent changes during the year. As mentioned in our last Annual Report, it was evident that Canadian Motor Industries Holdings Limited would require further financing which your company was not prepared to provide. Clairtone, therefore, entered into an agreement with Mitsui and Company (Canada) Limited, another major shareholder, under which all preference shareholders surrendered their shares for cancellation, and common shares, including those held by your company, were placed in a voting trust, which gives effective control and management of Canadian Motor Industries Holdings Limited to representatives of Mitsui and Company (Canada) Limited. Your company continues to have representation on the Board of Canadian Motor Industries Holdings Limited. However, in the circumstances, our investment has been written off.

1967

With the opening of the new plant and the successful launching of the color television line behind us, we are looking ahead with confidence. Your management will concentrate its total effort during 1967 upon maximizing its ability to manufacture and distribute the Clairtone product range to generate increased profits.

I would be remiss, indeed, if I were not to express the appreciation of our company to its customers throughout North America whose loyalty and support have made 1966 a record year for Clairtone, and our sincere gratitude to the many suppliers who made it possible for us to bring the Stellation plant into operation on schedule and present our new product line without delay.



President

GLORIA A COLLINSON
director of advertising
and public relations

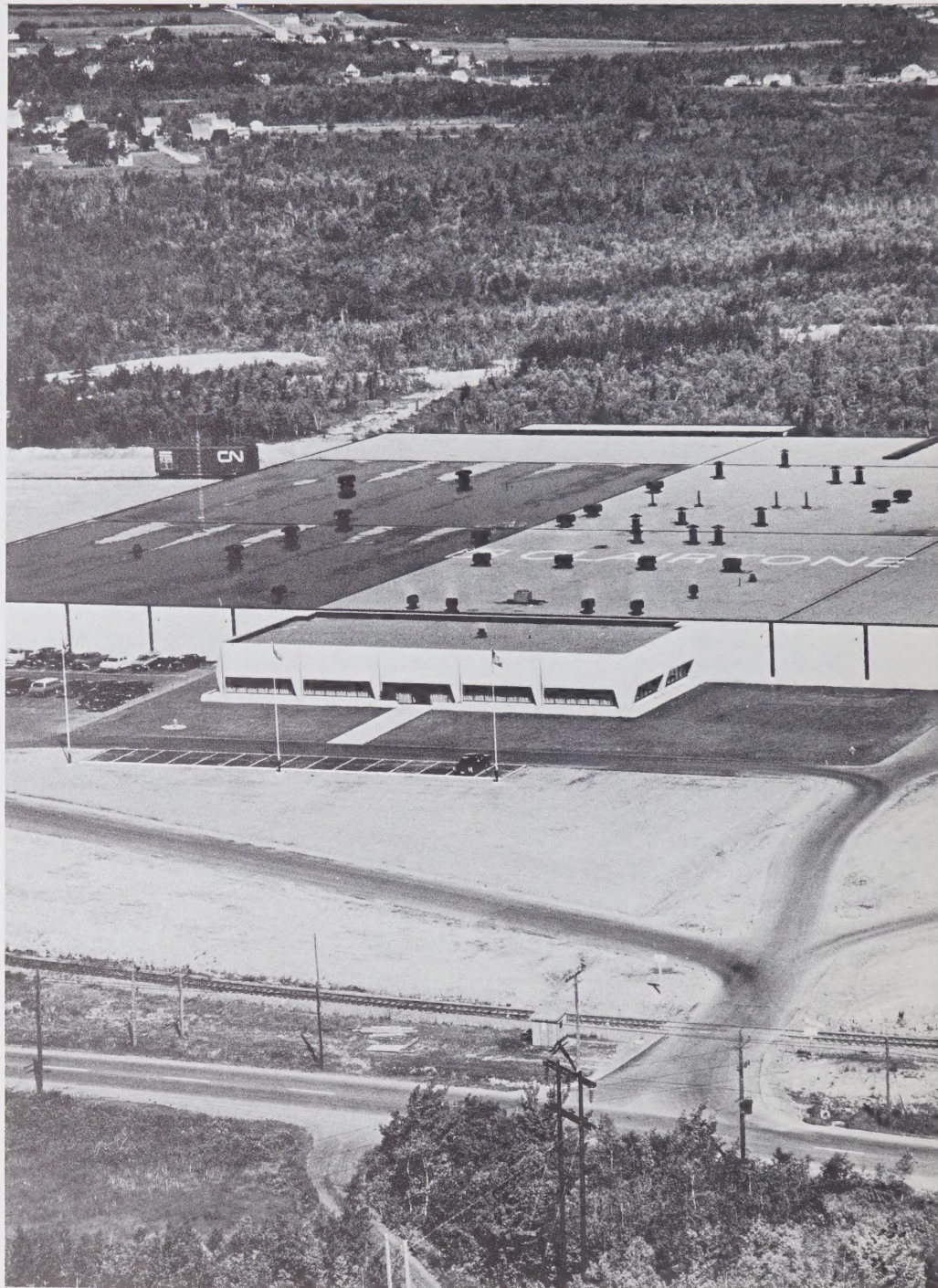
Clairtone Sound Corporation Limited
Toronto New York Chicago Los Angeles
Head office:
100 Ronson Drive
Rexdale Ontario Canada
(416) 249-1281



CLAIRTONE

Just 6 months after ground was broken, the shell of the Clairtone Stellarton plant was complete and ready for interior finishing. Plant management personnel began to move in from the Clairtone plants in Ontario. They made temporary headquarters in the leased building adjacent to the new plant where the company had built stereo chassis since April 1965.

The new plant was designed to house two distinctly different operations under one roof — a furniture factory of some 200,000 square feet with a 100,000 cabinet capacity, and an electronic manufacturing facility of 100,000 square feet. The efficiency and economy inherent in a completely integrated operation will be reflected in the company's operating results for years to come.

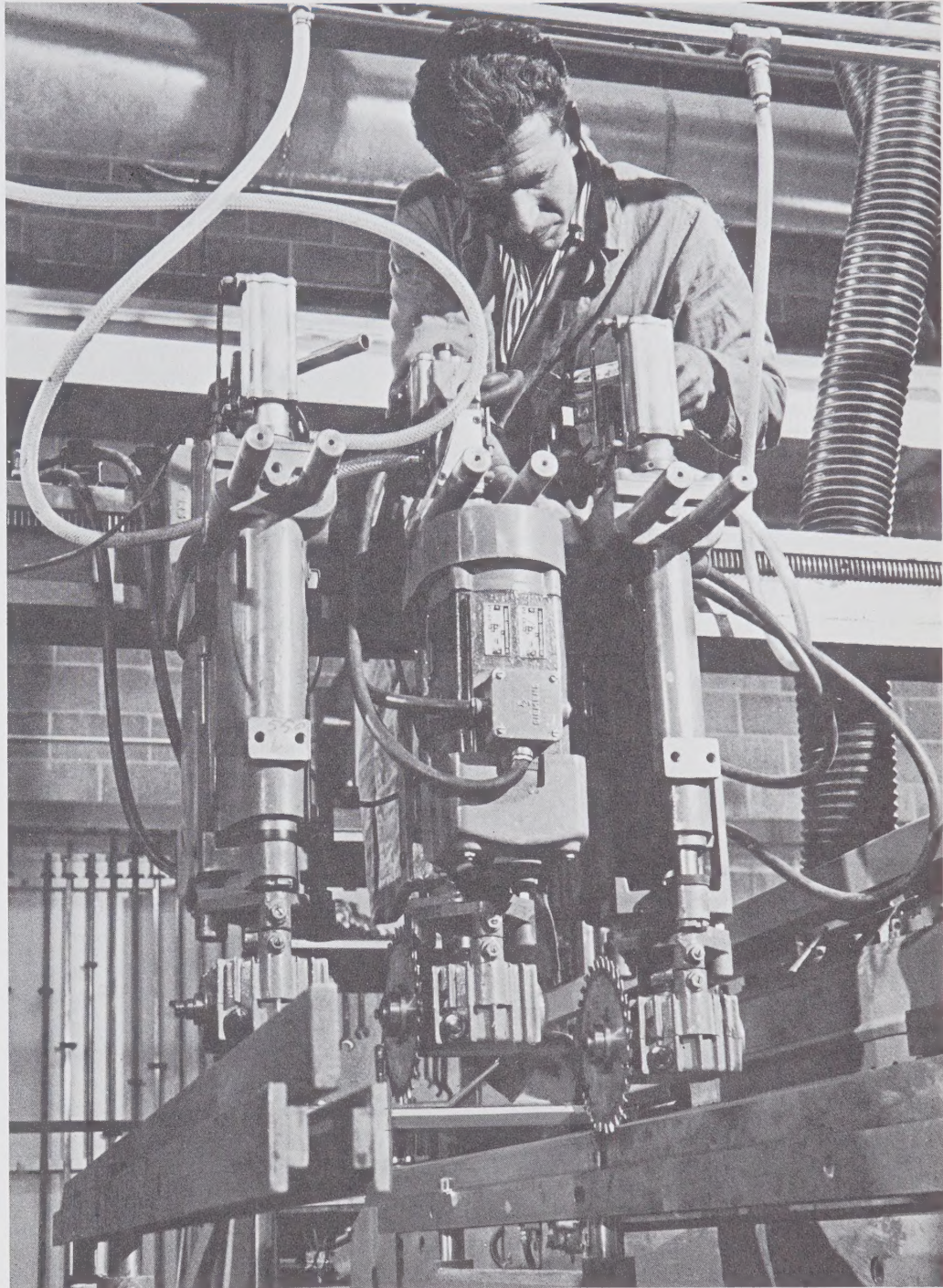


Clairtone executives examined other comparable plants and equipment manufacturers' operations in leading industrial countries to ensure that the new Clairtone plant at Stellarton would be equipped with the best and most versatile manufacturing equipment available. This resulted in the purchase of most of the complex wood-working equipment from Germany (with smaller amounts coming from Britain and France) and the bulk of the electronic equipment from the United States.

Most of the European equipment was marshalled at the Port of Bremen in Germany and placed aboard two ships. They arrived with their Clairtone cargo of some 225 tons early in February. Installation began immediately.

A totally new layout concept stressing extensive conveyerization and minimum manual handling was designed for the cabinet factory by internationally known consultant Rolf Rothstein. Most of the new machinery was custom designed for this operation.

The electronic plant too is highly automated. Installation of automatic conveyors, timing mechanisms, liquid soldering equipment, etc. began in February. Meanwhile, intricate test equipment was being designed, built, modified and installed for the manufacture of the ultra sophisticated color television product.

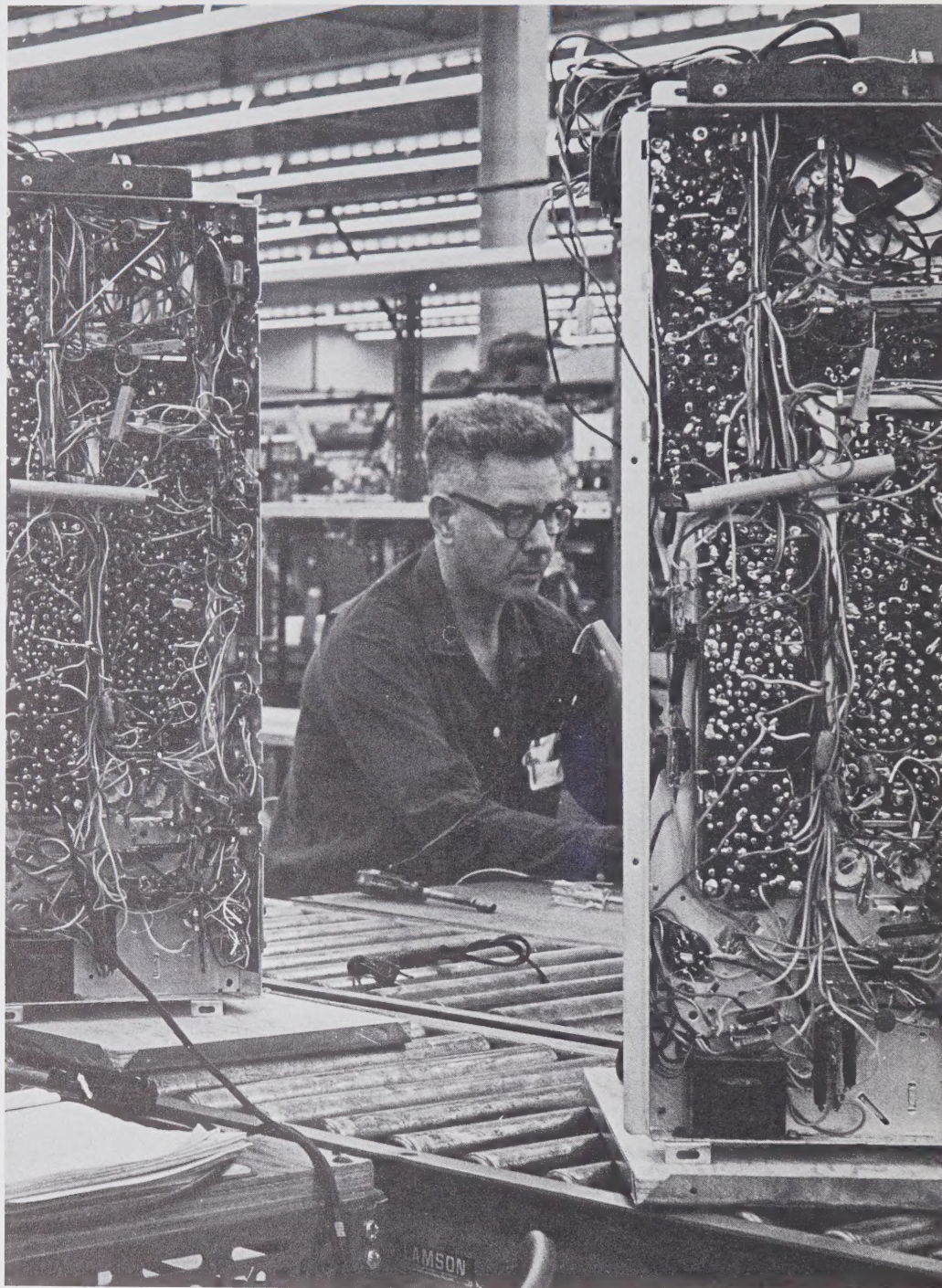


At a Press Conference called in March, President Peter Munk announced that Clairtone would build some 10,000 color television sets during 1966 in the new plant at Stellarton, Nova Scotia. The product line, consisting of nine consoles and theater models would be shown to dealers in June and would reach retail sales floors in late August.

The press learned at that meeting that Clairtone had gathered together a strong international team of color television specialists and that the new Stellarton plant was the first in North America designed especially for the production of color television.

Two working models were shown at the Press Conference:

1. The contemporary G-TV featuring a rosewood and black leather cabinet which swivels on a cast aluminum base and
2. The Italian Provincial Duchess console, in walnut.



Again one of the Clairtone "G" Series stereo units won a coveted design award. In 1964 the original Project G won a Silver Medal at the 13th Triennale di Milano. In 1966 the new G2 unit was awarded the "Design '67 Award" of the National Design Council of Canada for "excellence of design".

The fame of G2 has been widespread and like the larger Project G, it has been seen in a number of major motion pictures such as Sean Connery's "A Fine Madness". It has also been shown around the world in Canadian Government exhibitions and has appeared editorially in many major North American magazines and recently appeared on the cover of the British version of House and Garden.



Canada Design '67

Award of Excellence

Prix d'excellence

A Programme Developed by the National Design Council and Department of Industry to Recognize, Promote and Encourage High Standards of Canadian Product Design.

Programme mis en oeuvre par le Conseil national de l'esthétique industrielle et le ministère de l'Industrie en vue d'apprécier, de récompenser et d'encourager des normes d'esthétique de haute valeur dans la conception des produits canadiens.

In "New Product Design" category for Originality of Design in

Dans la catégorie des "Nouveaux Produits" pour la conception originale de

Award of Excellence Presented to
Prix d'excellence accordé à

Stereo AM/FM Phonograph Console and Components
Electrophone stéréophonique AM/FM et ses pièces

Clairtone Sound Corp.



J. C. Parkin
Chairman, National Design Council
Président, Conseil national de l'esthétique industrielle



The Hon. C. M. Drury
Minister, Department of Industry
Ministre de l'Industrie



Management was anxious to show key dealers the efficiency and economies inherent in the new fully integrated manufacturing operation and to provide them with proof of the high quality of the new color television line. To do this most effectively, a dealer airlift was started in May and continued throughout the summer. First, merchandising executives and senior buyers were taken to Nova Scotia in groups of ten to twenty. They were shown through the plant, then nearing completion, and were given a preview of the 1967 line in a specially designed showroom. In this way, it was possible to show the merchandise more effectively to much smaller groups than is usually the case.

Retail sales staffs from key stores across North America came during June and July and in addition to plant tours they participated in product training sessions at the plant.

W. E. Hutton & Company issue Background Report on Clairtone
W. E. Hutton & Company, investment bankers of 14 Wall Street, New York, issued a comprehensive background report on Clairtone.



On the 21st of June with the Nova Scotia representative of Her Majesty the Queen, representatives of the Federal Cabinet of Canada and the Congress of the United States, together with the Cabinet of the Government of Nova Scotia, and representatives of major press media across the continent in attendance, The Honorable Robert L. Stanfield, Premier of Nova Scotia, officially inaugurated Clairtone Stellarton.

Nearly 1000 guests caught their breath as the Premier pulled the switch and the plant came to life. Within moments the first stereo console rolled along to the end of the final assembly line and the plant was truly in operation.

There was however, a great deal of work to be done yet since finishing lines were still being installed in the cabinet factory and only 300 of the total labor requirement of 800 had been trained. Cabinets were still being received from the company's other furniture plant — The Middlesex Furniture Company at Strathroy, Ontario — and it would be another 60 days before Stellarton-made cabinets moved onto the final assembly line.



The new Color TV and Stereo lines were shown at the National Association of Music Merchants Show in Chicago. Many key dealers had already seen the new products at Stellarton and orders were most encouraging, but the NAMM Show resulted in further orders and the signing of several excellent new accounts in the United States.

Dealer Visits Continue at Stellarton
Management had by this time been able to assess the visits to the Stellarton plant and decided that they were invaluable in imparting the Clairtone quality image to those people who are most important to its sales effort. Consequently one-day dealer visits continued throughout July.



In August the new plant became fully operational and Clairtone color television units were shipped to dealers throughout North America for the first time.

The cabinet finishing line, the last to be completed, was now in full swing. It was producing a finished cabinet every 1½ minutes. Each took approximately 7 days to go through the entire process from raw lumber to finished cabinet but once the line is full a cabinet comes off the line at the rate of one every 1½ minutes. Production runs are a minimum of 750.

In the electronic plant two chassis lines run side by side — one produces stereo chassis, the other color television. Since the test equipment required for color television is far more intricate and TV chassis had not been produced before, the TV line was the last to be finished. However, the entire operation was functioning by the first of August.

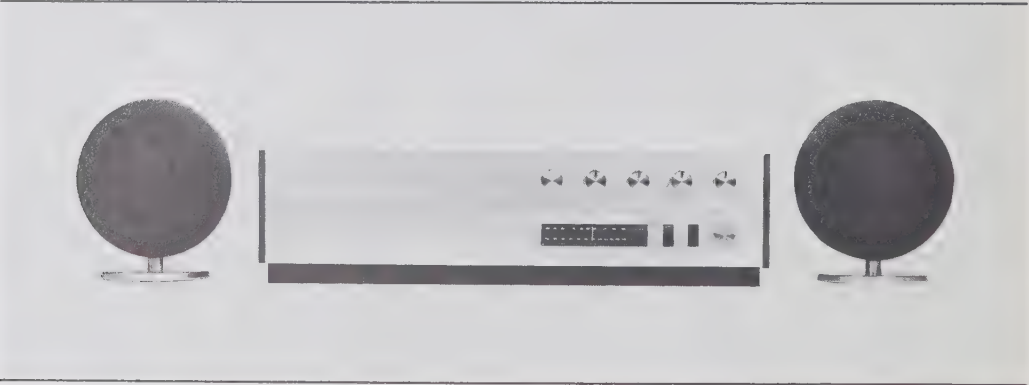


A national advertising campaign which created great interest ran during September, October and November in daily newspapers in most major centers across North America.

In the United States a program of 7 full page advertisements was prepared by Clairtone's agency and submitted to key dealers as a co-operative program. It was run successfully by one department store from each metropolitan area across the country.

In Canada the same program was run. It included reprints of Macy's ads in the New York Times.

Some participating companies in the United States were:
Broadway, Los Angeles; Davidson's, Atlanta; Dayton's, Minneapolis; Fedway, Amarillo; Fedway, Wichita Falls; Foley's, Houston; Hudson's, Detroit; Jordan Marsh Company, Boston; Jordan Marsh Company, Miami; Macy's, New York; Pogue's, Cincinnati; Sherman Clay, San Francisco; Stewart's, Louisville; Stix, Baer & Fuller, St. Louis; Stowers Furniture, San Antonio; The Halle Bros. Co., Cleveland; Wasson's Branch Store, Indianapolis; Woodward & Lothrop, Washington.



In the latter part of October a new and unique product was introduced by the company. It was the 7TVC, a color television receiver which may be used independently or played through a hi-fi or stereo sound installation. Equipped with metal cage and finished walnut frame, it is expected to fill a gap in existing custom home entertainment installations, and a need expressed by architects and interior designers who require a high quality color TV receiver for new built-in applications in homes, restaurants, hotels, clubs, etc.

Within thirty days of the running of the first national advertisement featuring the 7TVC some two thousand requests for further information were received.

During October the first shipments of the G3 stereo component system also reached the dealers' floors. The G3 is the first system designed by Clairtone for the stereo component market.

The New York Times.

WON'T run,
won't fade,
won't wash out



Clairtone, the color-fast TV

Come to Macy's and see real, live 'color-fast' TV. By 'color-fast' we mean, of course, the clear, true colors of Clairtone—no faded, washed-out, 'also-ran' colors. 'Color-fast' refers to Clairtone and Clairtone only. Because Clairtone does no dyes to make sure its colors remain true program after program, day-after-day. Now Clairtone has its components like any, that's how. Thirty-one hours long and tough to give you a better picture, easier viewing. Seeing is believing. Come to Macy's. You'll see—and believe—the difference you get in Clairtone 'color-fast' TV. No extra cost for pushbutton-power channel selector, remote control adaptability, automatic color control indicator, automatic degasser, earphone jack for individual listening. Choose 5 styles in all, 10 models.

(Feature) 25" G-TV, contemporary design in its best. Rare Brazilian rosewood and black leather with cast aluminum base. (Left) 25" Duchess TV console, authentic Italian Provincial styling with fruitwood finish, side-swing doors. (Right) 25" Princess TV console, contemporary design in oiled walnut, sliding doors disappear while viewing. 25" screen gives 295 square inch viewing area.

Macy's

IT'S SMART TO BE THIRTY
IT'S SMART TO BE MARY

Canadian boys make it on Broadway!



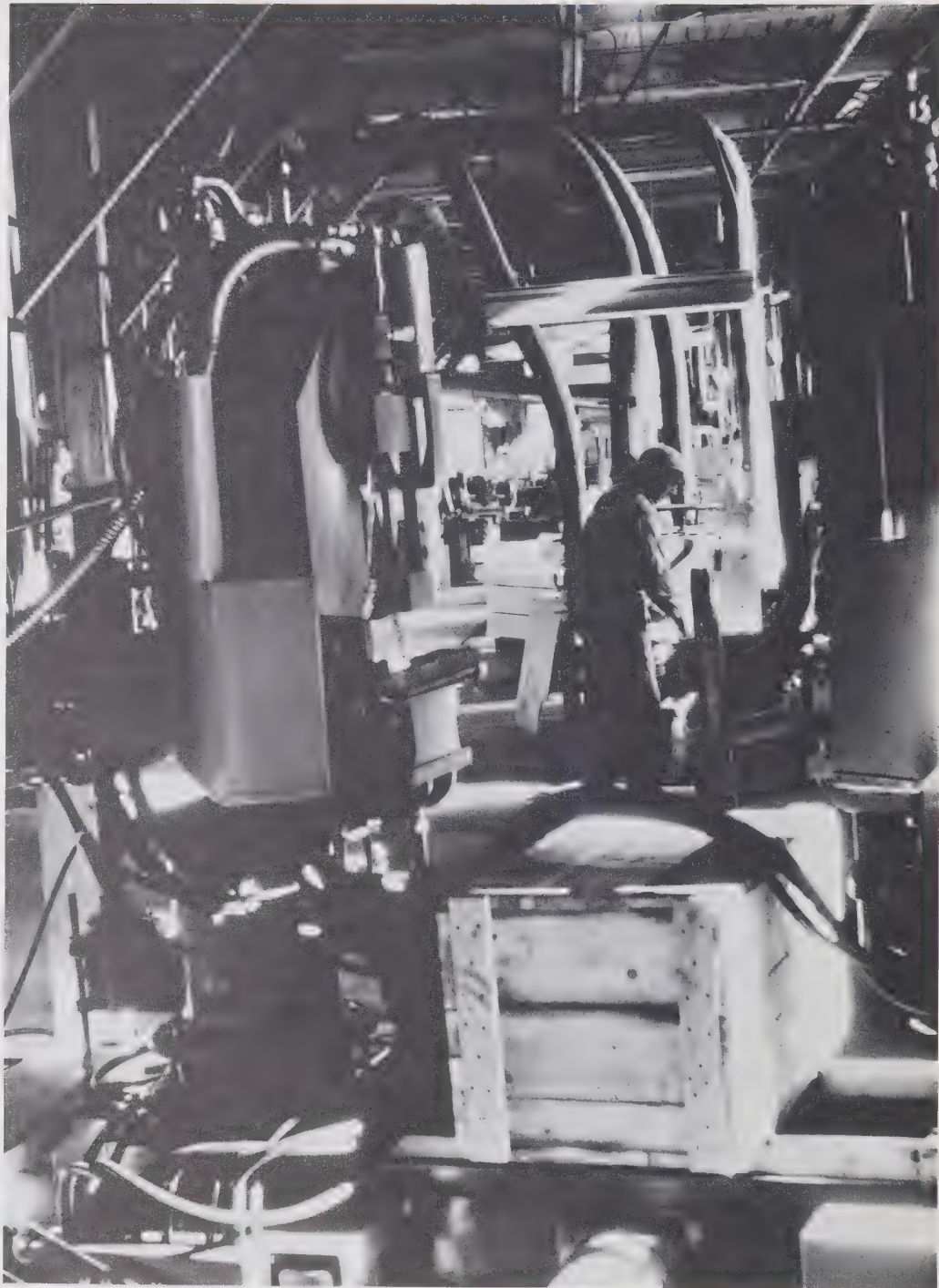
Two young Canadian boys, **Michael and David**, have made it on Broadway. They are the first Canadian boys to perform in a Broadway musical. They are performing in **The Sound of Music** at the **Marquis Theatre**. They are both 10 years old and are from **Calgary, Alberta**. They were discovered by a talent scout who saw them in a local production of **The Sound of Music**. They are both very talented and are very happy to be on Broadway. They are both very proud to represent Canada on Broadway.

The Middlesex Furniture Company, a wholly-owned subsidiary of Clairtone had a record month in November.

This plant, which, before the opening of the Stellarton plant produced all Clairtone cabinets, was turned over to the production of cabinets for other original equipment manufacturers whose facilities were less economical or overburdened—chiefly U.S. companies. Present indications are that Middlesex will continue to operate at a near capacity level year round.

With an effective management team under the direction of Leslie Skelly, Managing Director, and the replacement of obsolete equipment and methods, the Middlesex Furniture Company, in spite of its very old buildings, has become a highly efficient and profitable operation.

The plant employs some 300 people during peak periods and is the largest employer in the small community in which it is located. It has a 34,000 cabinet capacity.

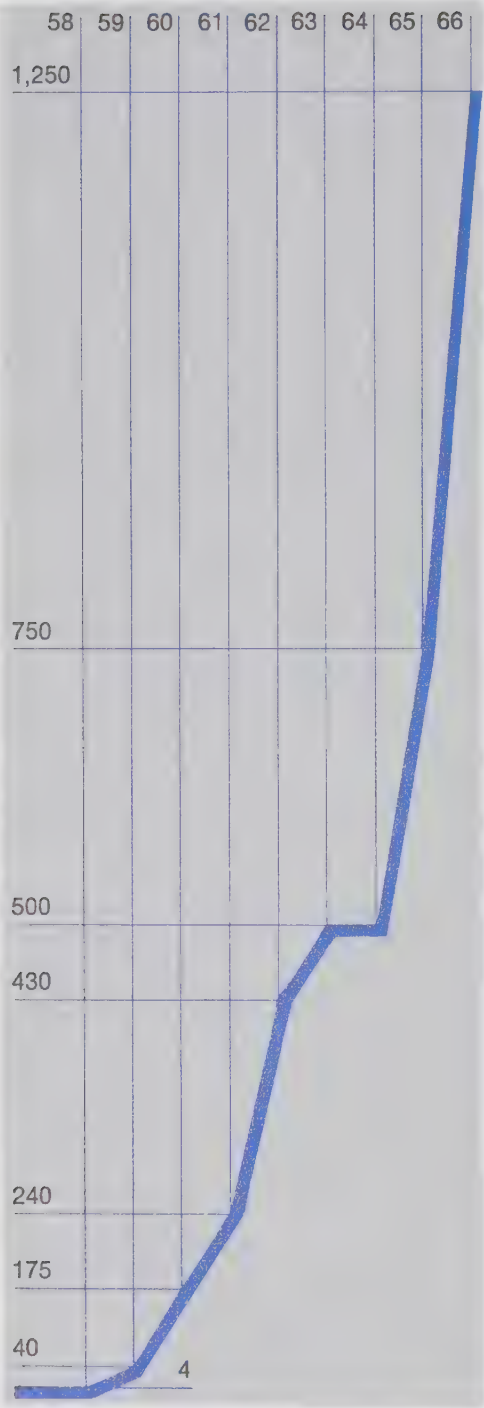


With the Stellarton plant on multi-shift, round-the-clock operation during November and December, marketing efforts reached their most intensive level, resulting in final quarter sales of \$8,737,500.

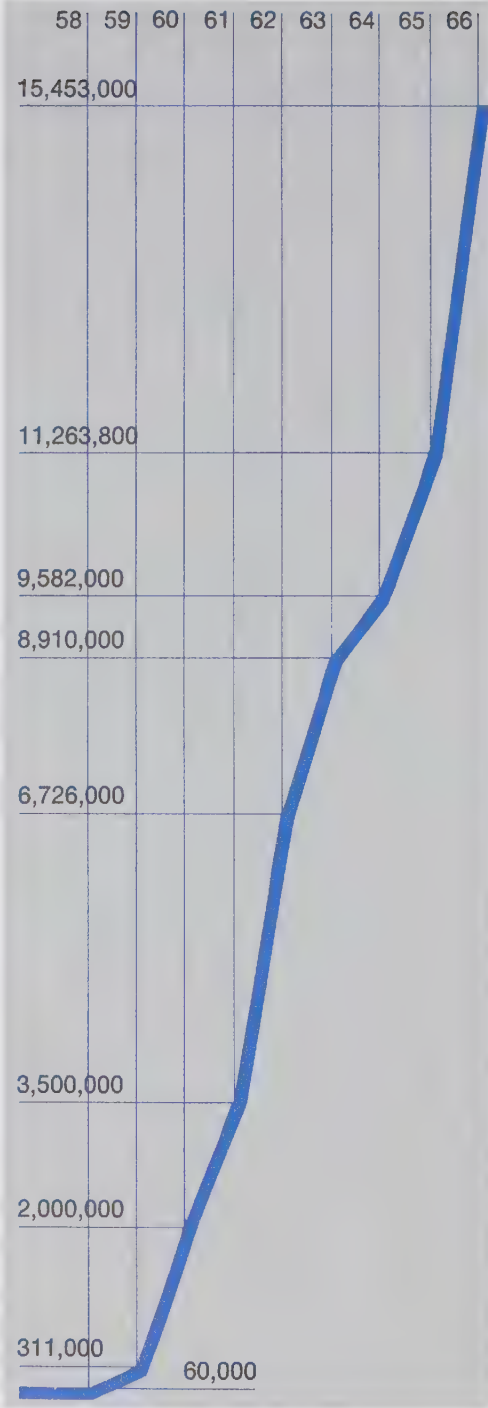
The year 1966 was certainly Clairtone's greatest year of challenge — and achievement. The goals set for the company during that year — successful marketing of an entirely new and very sophisticated product line, the precise scheduling of a large untried manufacturing operation, the increasing by some 37% of sales and a 132% increase in earnings — appear in retrospect to have been extremely ambitious. They do, however, indicate the continuing growth and success of Clairtone.



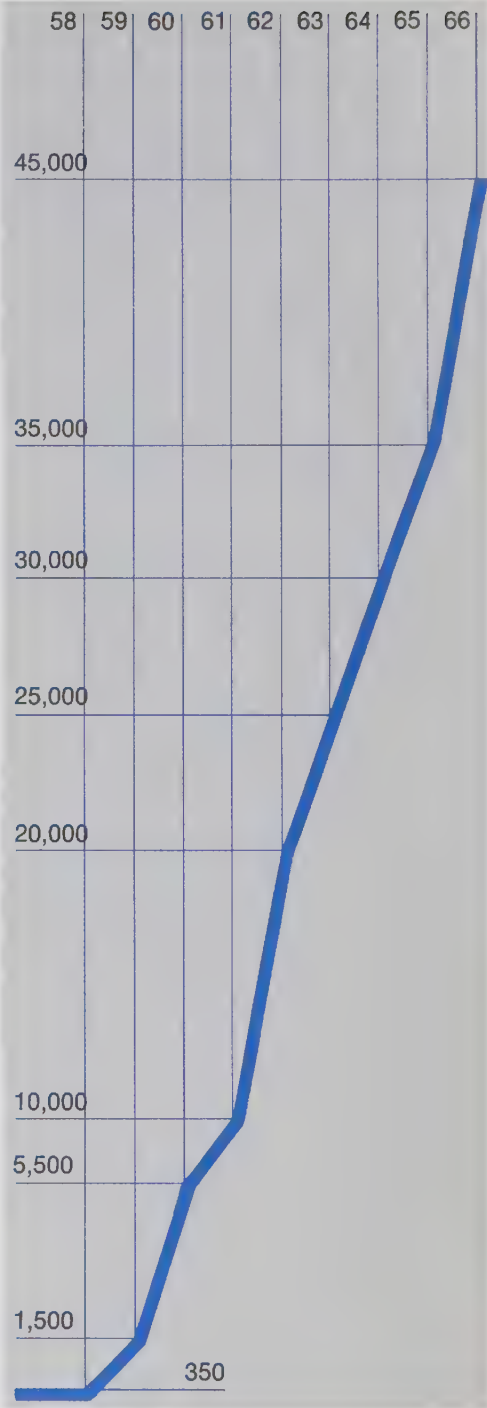
Employees



Approximate Dollar Sales



Production



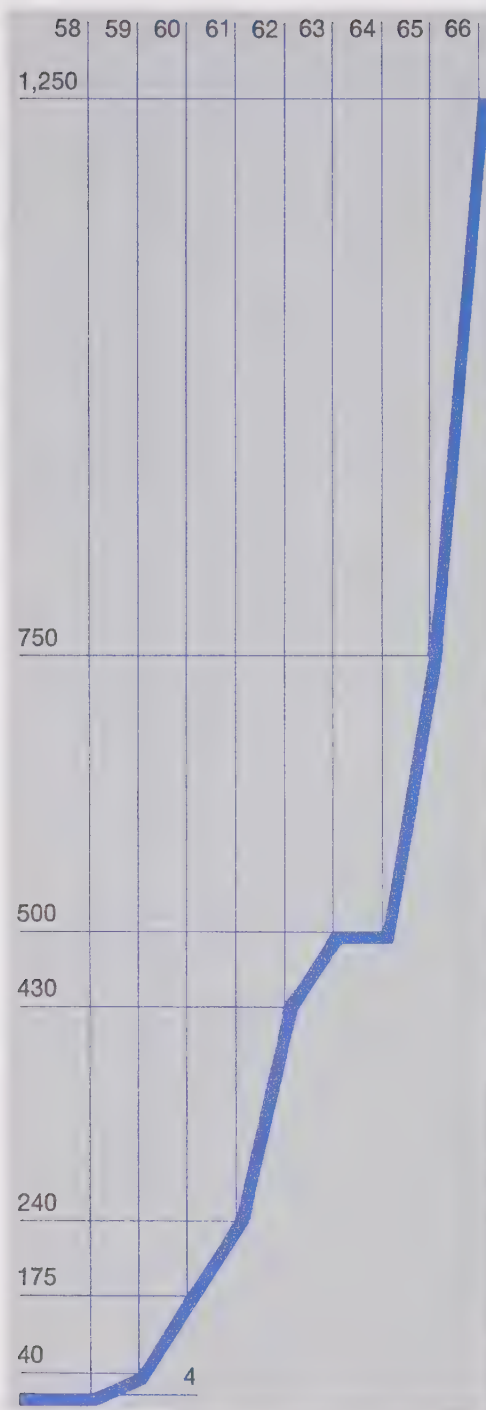
8th year highlights

	1966	1965
Sales	\$15,453,053	\$11,263,800
Net Earnings for the Year	601,351	256,578
Earnings per Common Share	\$1.02	44¢
Number of Shares Outstanding	589,600	580,700
Number of Shareholders	2,135	2,126
Number of Employees	1,250	750

Annual Meeting:

The next Annual Meeting of the shareholders of the Company will be held at the office of the Company in Rexdale, Ontario, on Friday, April 28th, 1967. A formal notice of the meeting together with a letter from the President and form of proxy has been mailed to each shareholder.

January 6, 1967	January 7, 1966
\$15,453,053	\$11,263,800
1,129,953	537,037
248,604	88,678
160,646	133,489
57,701	22,292
466,951	244,459
663,002	292,578
61,651	36,000
601,351	256,578
\$1.02	44¢
827,365	570,787
601,351	256,578
1,428,716	827,365
1,073,365	—
355,351	827,365



Consolidated Statement of Earnings	For the year ended January 6, 1967	January 6, 1967	January 7, 1966
	Sales	\$15,453,053	\$11,263,800
	Earnings before the undernoted items	1,129,953	537,037
	Depreciation	248,604	88,678
	Interest (including interest on long-term liabilities of \$10,710)	160,646	133,489
	Amortization of financing costs	57,701	22,292
		466,951	244,459
		663,002	292,578
	Provision for Income Taxes (note 8)	61,651	36,000
	Net Earnings for the year	601,351	256,578
	Earnings per Common Share	\$1.02	44¢

Consolidated Statement of Retained Earnings	For the year ended January 6, 1967		
	Balance: Beginning of year	827,365	570,787
	Add: Earnings for the year	601,351	256,578
		1,428,716	827,365
	Less: Write-off of investment in shares of Canadian Motor Industries Holdings Limited (notes)	1,073,365	—
	Balance: End of year	355,351	827,365

Assets

		January 6, 1967	January 7, 1966
Current Assets	Cash	\$ 57,599	\$ 114,321
	Deposit receipts plus accrued interest	—	304,700
	Accounts receivable:		
	Trade	5,977,876	3,724,438
	Government grants receivable	1,349,065	239,194
	Inventories at the lower of cost or net realizable value (notes 2 and 5)	5,866,958	2,890,038
	Prepaid Expenses	298,157	223,117
		13,549,655	7,495,808
Investments	Canadian Motor Industries Holdings Limited (note 3)	216,667	1,301,402
	Associated Company: Shares of Ditchburn Clairtone Limited (at cost)	1,365	1,365
Fixed Assets	(note 4)	5,006,525	3,035,748
Deferred Charges and Other Assets	Special Projects	358,934	170,088
	Financing costs less amounts written off	482,592	334,836
	Other	21,041	18,472
		862,567	523,396
Goodwill	at nominal value	1	1
		19,636,780	12,357,720

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Clairtone Sound Corporation Limited and subsidiaries as at January 6, 1967 and the consolidated statements of earnings, retained earnings and source and use of funds for the year ended on that date. Our examination included

a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings, retained earnings and source and use

of funds, when read in conjunction with the notes thereto, present fairly the consolidated financial position of the companies as at January 6, 1967 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.

McDonald, Currie & Co.
Chartered Accountants
March 22, 1967

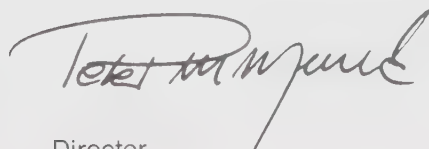
Liabilities

		January 6, 1967	January 7, 1966
Current Liabilities	Bank loans and overdrafts (note 5)	\$ 1,806,270	\$ 2,027,343
	Other loans payable (note 5)	835,132	—
	Notes payable to the preferred shareholder	1,059,934	—
	Accounts payable and accrued liabilities	3,511,613	1,817,907
	Sales and other taxes	805,846	312,786
	Current instalments of long-term liabilities	41,497	508,909
		8,060,292	4,666,945
Long-Term Liabilities (note 6)		7,173,283	5,884,266
Deferred Income Taxes		142,000	130,000
		15,375,575	10,681,211

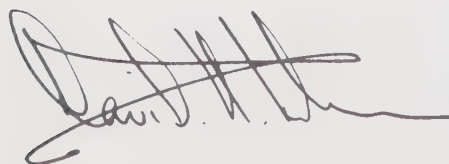
Shareholders' Equity

Capital Stock (note 7)			
Authorized	300,000 cumulative redeemable first preference shares, par value \$10 each, issuable in series. 1,000,000 common shares without par value		
Issued and fully Paid	100,000 6¾% cumulative redeemable first preference shares Series A 200,000 6¾% cumulative redeemable first preference shares Series B 589,600 common shares	1,000,000 2,000,000 905,854	— — 849,144
Retained Earnings (note 7)		355,351 4,261,205 19,636,780	827,365 1,676,509 12,357,720

Signed on behalf of the Board



Director



Director

Clairtone Sound Corporation Limited and Subsidiaries
Consolidated Statement of Source and Use of Funds

Consolidated Statement of Source and Use of Funds	For the year ended January 6, 1967	January 6, 1967	January 7, 1966
Source of Funds	Net earnings for the year	\$ 601,351	\$ 256,578
	Add: Charges not requiring cash outlay-		
	Depreciation and amortization	306,305	110,970
	Deferred income taxes	12,000	32,000
		919,656	399,548
	Proceeds from —		
	6¾% first mortgage bonds	1,500,000	6,000,000
	Interim debentures	—	1,000,000
	Common shares	56,710	9,720
	Preferred shares	3,000,000	—
	Sundry notes and mortgage	133,764	—
		5,610,130	7,409,268
Use of Funds	Investment in Canadian Motor Industries Holdings Limited	(11,370)	263,652
	Redemption of interim debentures	—	3,000,000
	Redemption or inclusion with current liabilities of long-term debt	541,497	508,909
	Additions to fixed assets	2,219,382	2,427,559
	Expenditures on special projects, less write-offs	188,846	(957)
	Other	11,275	3,665
		2,949,630	6,202,828
Working Capital	Increase	2,660,500	1,206,440
	Beginning of Year	2,828,863	1,622,423
	End of Year	5,489,363	2,828,863

1. Principles of Consolidation

The financial statements include the accounts of all wholly owned subsidiaries. The accounts of Canadian Motor Industries Holdings Limited are not included (see note 3).

United States current assets and current liabilities have been converted to Canadian funds at the January 6, 1967 rate of exchange. United States fixed assets have been converted to Canadian funds at the approximate rates in effect when they were acquired.

2. Inventories

These comprise:

	January 6, 1967	January 7, 1966
Finished goods	\$3,119,993	\$1,782,680
Raw materials and work in process	2,746,965	1,107,358
	5,866,958	2,890,038

3. Investments

The investments in Canadian Motor Industries Holdings Limited (CMI), which until April 7, 1966 was a partly owned subsidiary, comprises:

	January 6, 1967	January 7, 1966
251,000 common shares (of a total of 492,500 shares outstanding)	\$ 1	\$1,073,366
Advances (repayment guaranteed)	216,666	228,036
	216,667	1,301,402

Mitsui and Company (Canada) Limited, a shareholder of CMI, pursuant to an agreement dated March 31, 1966 loaned \$1,000,000 to CMI in return for its promissory note due September 30, 1967. This note is convertible into 910,000 common shares and 20,000 preference shares of CMI. At the same time certain CMI shareholders, including the Company, deposited their common shares into a voting trust pursuant to a voting trust agreement dated April 7, 1966. Approximately 90% of

the outstanding common shares of CMI were deposited in the voting trust. At that time the 19,500 preference shares of CMI held by the Company were surrendered and cancelled. Under the terms of the voting trust agreement the voting trustees, who are nominees of Mitsui and Company (Canada) Limited, have full voting control to elect the Board of Directors of CMI. If this note is converted, the common shares held by the Company would represent only 18% of the

outstanding common shares of CMI.

The funds invested in CMI by its shareholders to January 7, 1966 had been fully absorbed by start-up costs and operating losses. The Company's investment, other than advances, repayment of which is guaranteed by Mitsui and Company (Canada) Limited, has therefore been written down to a nominal value of \$1.

4. Fixed Assets

The fixed assets are valued at cost less accumulated depreciation and comprise:

	January 6, 1967		January 7, 1966	
	Cost	Accumulated depreciation or amortization	Net	Net
Land	\$ 17,938	\$ —	\$17,938	\$ 10,148
Buildings	2,371,257	119,741	2,251,516	1,727,833
Equipment and furniture	3,021,782	433,651	2,588,131	1,186,777
Leasehold improvements	213,544	64,604	148,940	110,990
	5,624,521	617,996	5,006,525	3,035,748

5. Security for Bank and Other Loans

The Canadian trade accounts receivable of \$3,952,131 and Canadian inventories of \$4,857,201 have been pledged as security for bank loans

and overdrafts of \$1,806,270. The United States accounts receivable of \$2,025,745 and United States inventories of \$1,009,757 have been pledged for loans payable of \$835,132.

6. Long-Term Liabilities	These comprise:	January 6, 1967	January 7, 1966
	6¾% first mortgage bonds Series A, maturing July 1, 1980 with sinking fund payments of \$500,000 in 1968, \$213,000 in 1969 and increasing annually to \$409,000 in 1979, interest to accrue from July 1, 1968	\$4,250,000	\$4,250,000
	Non-interest bearing first mortgage bonds, Series B	—	1,000,000
	6¾% first mortgage bonds Series C, maturing July 1, 1985 with sinking fund payments of \$474,000 in 1981 and thereafter increasing annually to \$576,000 in 1984, interest to accrue from July 1, 1968	2,695,000	1,000,000
	5% first mortgage bonds, maturing as to \$8,909 principal amount on the first day of January in each of the years 1967 through 1971 inclusive, and the balance on January 1, 1972	136,016	143,175
	Sundry, notes and mortgage	133,764	—
		7,214,780	6,393,175
	Less: Included with current liabilities	41,497	508,909
		7,173,283	5,884,266
7. Capital Stock	and specified sums must be set aside for redemption or purchase for cancellation in each year commencing January 1, 1971 until January 1, 1985.	to purchase shares at \$6.50 per share on or before September 15, 1970.	
During the year, the company received supplementary letters patent increasing authorized capital by the creation of 300,000 first preference shares of the par value of \$10 each. These were designated as 100,000 6¾% redeemable first preference shares Series A and 200,000 6¾% redeemable first preference shares Series B (each of which series is cumulative). These shares, accompanied by warrants to purchase 50,000 common shares, were issued during the year for \$3,000,000 cash.	210,500 common shares are reserved for the following purposes: 50,000 for issue upon the exercise of share purchase warrants which accompanied the first preference shares entitling the holder thereof to purchase common shares for: \$7.50 a share to June 30, 1969; \$10.00 a share thereafter to June 30, 1971; \$12.50 a share thereafter to June 30, 1976.	61,600 for options to officers and employees of which options have been granted on 54,100 shares at the following prices:	
		No. of shares	Price
		1,600	\$5.40
		52,000	6.50
		500	6.30
		Expiry Date	
			Feb. 28, 1968
			Feb. 28, 1968
			Feb. 28, 1968
These preference shares are redeemable at premiums of up to 20%, depending on when redemption takes place. Each share carries one vote until the first dividend is paid. Dividends begin accruing from January 1, 1969,	98,900 for issue upon the exercise of share purchase warrants which accompanied the sinking fund debentures 6¾% Series A (which debentures were redeemed in 1964) entitling the holder thereof	During the year, 8,900 common shares were issued under option arrangements for \$56,710 cash.	
		So long as any of the preference shares are outstanding, no cash dividends may be paid on any shares ranking junior thereto. The trust deed relating to the first mortgage bonds also restricts the payment of dividends.	
8. Income Taxes	exempted from income taxes under the area development provisions of the Income Tax Act. This tax exemption will continue	for one subsidiary until August 1968 and for two other subsidiaries until August 1969.	
Included in consolidated net earnings are earnings of subsidiaries			
9. Long-Term Leases	Rentals under lease agreements which extend more than five years from January 6, 1967 aggregate approximately:	1967 - 1971	\$210,000
		1972 - 1976	210,000
		1977 - 1978	59,500
		Rental expense relating to these leases for the year ended January 6, 1967 was \$42,000.	

Head office:

100 Ronson Drive, Rexdale, Ontario

Officers:

Peter Munk

President

David Harrison Gilmour

Executive Vice President and Treasurer

D.C.F. van Eendenburg

Executive Vice President

and General Manager

Michael A. Chojnacki

Vice President, Manufacturing

Jack C. McCauley

Vice President, Marketing and Sales

David F. Pols, C.A.

Comptroller

G. Malcolm Hogarth

Secretary

Directors:

Clifford V. Brokaw III

Michael A. Chojnacki

David Harrison Gilmour

Zigmund A. Hahn

G. Malcolm Hogarth

James M. Hutton, Jr.

Wallace Robert Johnston

J.C. MacKeen

Peter Munk

D.W. Samuel

Robert M. Sutherland

D.C.F. van Eendenburg

A. Mark Vansittart

Auditors:

McDonald, Currie & Co.

Chartered Accountants, Toronto

Transfer agents:

Guaranty Trust Company of Canada,
Toronto

Legal counsel:

Fasken, Calvin, MacKenzie,

Williston & Swackhamer, Toronto



The new Clairtone logo, shown for the first time on this Annual Report, is the result of intensive research and development on the part of our own Corporate Graphics Department to provide the Company with a characteristic, individual and memorable image. The logo becomes a fundamental part of the Clairtone approach to the development and refinement of its products and method of conveying information regarding the Company and its products to the consumer. The new logo, as part of a long range corporate design program, will appear on all company literature, advertising, promotion, signage, on trucks, cartons and packages, on the faceplates of Color TV and Stereo units. This new logo is a strong, clear visual expression of Clairtone — active, ambitious, growing and looking to the future.

Printing:
Southam Printing Company Limited

Design:
Clairtone Corporate Graphics Department